

**OFFICE OF THRIFT SUPERVISION
APPROVAL OF APPLICATIONS FOR PERMISSION TO
ORGANIZE AND ACQUIRE A FEDERAL SAVINGS BANK**

**Order No.: 2001-28
Date: April 20, 2001
Dockets: 17338 and H3659**

Union Bank, North Providence, Rhode Island (the Holding Company), The James M. Sullivan Irrevocable Trust 2000, The John M. Sullivan Irrevocable Trust 2000, The William M. Sullivan Irrevocable Trust 2000, and The James M. Sullivan Irrevocable Trust 2000 No. 2 (collectively, the Trusts) have applied to the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. §§ 1464(e) and 1467a(e) and 12 C.F.R. §§ 552.2-1 and 574.3, to organize and acquire Union Federal Savings Bank, North Providence, Rhode Island (Savings Bank), a federal stock savings bank with its sole office to be located in North Providence, Rhode Island (the Applications). The Savings Bank will be a member of the Savings Association Insurance Fund.

OTS has considered the Applications under the factors set forth in 12 U.S.C. §§ 1464(e) and 1467a(e) and 12 C.F.R. §§ 543.3, 552.2-1, and 574.7, and other applicable statutes and regulations. OTS also has considered the Applications under the Community Reinvestment Act (CRA), 12 U.S.C. §§ 2901 *et seq.*, and the OTS regulations thereunder at 12 C.F.R. Part 563e. The OTS has considered analyses prepared by Examination Policy and the Northeast Regional Office (Regional Office), and a legal opinion from the Business Transactions Division (collectively, the Staff Memoranda). For the reasons set forth in the Staff Memoranda, OTS finds that the Applications satisfy the applicable approval standards, provided that the following conditions are complied with in a manner satisfactory to the Northeast Regional Director, or his designee (Regional Director). Accordingly, the Applications are hereby approved, subject to the following conditions:

1. The proposed transaction must be consummated within one hundred twenty (120) calendar days from the date of this Order;
2. The Savings Bank and the Holding Company must receive all required regulatory approvals prior to the establishment of the Savings Bank with copies of all such approvals provided to the Regional Director;
3. At least twenty days prior to the effective date of the proposed transaction, the Holding Company must provide the Regional Director with a final list of its stockholders, including names, addresses, number of shares and percentage of total shares owned. Any individuals presumed to be acting in concert pursuant to 12 C.F.R. § 574.4 must also be listed and all relationships disclosed;

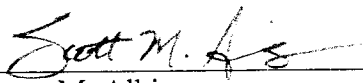
4. Prior to opening for business, the Savings Bank must submit a copy of the proposed agreement with FISERV Solutions, Inc., which must be acceptable to the Regional Director;
5. No later than five days from the date the Savings Bank opens for business, it must file with the Regional Office a certification by legal counsel stating the effective date of the Savings Bank's insurance of accounts and its opening, and that the completion of the establishment of the Savings Bank was consummated in accordance with all applicable laws and regulations, the Applications and this Order;
6. No later than five days from the date the Savings Bank opens for business, the chief financial officer must provide to the Regional Director a reconciliation of capital for both the Savings Bank and the Holding Company;
7. The Savings Bank must operate within the parameters of its business plan. The Applicant and the Savings Bank must submit any proposed major deviations or material changes from the plan (including, but not limited to, any changes in the Savings Bank's policies regarding the origination and sale of subprime loans, and those changes resulting from decisions made by the Applicant) for the prior written nonobjection of the Regional Director. The request for change must be submitted a minimum of 30 calendar days before the proposed change is to be implemented with a copy sent to the FDIC Regional Office;
8. The Savings Bank must submit independent audit reports to the Regional Director for its first three fiscal years. These reports must comply with the audit rules set forth in 12 C.F.R. § 562.4;
9. OTS must receive the information necessary to complete its background investigation of the Holding Company and Savings Bank's officers and directors, and such information must not disclose any information that is inconsistent with approval pursuant to 12 U.S.C. §§ 1467a(e) and 1464(e);
10. On the business day prior to the consummation of the proposed transaction, the chief financial officers of the Holding Company, the Trusts and the Savings Bank must certify in writing to the Regional Director that no material changes have occurred with respect to the financial condition or operation of the Holding Company, the Trusts and the Savings Bank as disclosed in the Applications. If additional information having an adverse bearing on any feature of the Applications is brought to the attention of the Holding Company, the Trusts, the Savings Bank or OTS since the date of the business plan submitted with the Applications, the transaction must not be consummated unless the information is presented to the Regional Director and the Regional Director provides written nonobjection to consummation of the transaction;

11. Prior to opening for business, the Savings Bank's board of directors must adopt a policy for the management of interest rate risk and must establish guidelines and procedures to ensure that the board's policy is successfully implemented. Such policy must follow the guidelines established in Thrift Bulletin 13a;
12. During the first eighteen months of operations, any contract or agreement with an affiliate not yet submitted to OTS must be provided to the Regional Director for his review and nonobjection at least 30 days prior to execution;
13. During the first two years of operations, the Savings Bank must receive the prior written nonobjection of the Regional Director for any proposed new senior officer or director. Any proposed employment agreements are also subject to the separate written nonobjection of the Regional Director. Any stock option or incentive plan or agreement that is to be implemented within the first two years of operations must be submitted to the Regional Director for his written nonobjection and must be approved by the Applicant's shareholders;
14. Within 30 days from the date of this Order, the Savings Bank must submit to the Regional Director for his review and nonobjection an updated business plan that reflects all material changes made to the business plan during the application process between the most recent date on which a revised business plan was filed and the date of this Order;
15. The Savings Bank must submit quarterly variance reports depicting the Savings Bank's operations versus those of the submitted business plan to the Regional Director within 45 days of the end of each quarter during the first three years of operations;
16. Prior to opening for business, the Holding Company must submit to the Regional Director appropriate documentation evidencing that it has amended its bylaws consistent with the requirements for non-depository savings banks under § 19-4-10 of the Rhode Island General Laws;
17. Prior to opening for business, the Savings Bank must submit to the Regional Director for his review and nonobjection, policies and procedures that have been approved by the board of directors that address compliance assurance issues for each functional area of operation. Lending policies should include appropriate controls to ensure that the Savings Bank does not engage in predatory lending practices;

18. Prior to opening for business, the Savings Bank must submit to the Regional Director for his review and nonobjection compliance training programs that have been approved by the board of directors that describe the frequency and scope of training for all employees. The Fair Lending training component of this program should provide, at a minimum, specific detail for the training of all consumer contact personnel including but not limited to persons with telemarketing, loan underwriting and loan servicing/collections responsibilities;
19. Prior to opening for business, the Savings Bank must submit to the Regional Director for his review and nonobjection compliance monitoring programs that have been approved by the board of directors that should, at a minimum, be developed for telemarketing, loan underwriting and loan servicing/collections functions;
20. Prior to opening for business, the Savings Bank must submit to the Regional Director for his review and nonobjection a compliance audit program that has been approved by the board of directors. The program should include, at a minimum, a frequency schedule for the areas to be reviewed, the scope of these reviews, the frequency of reports to the board of directors and identify the board committee responsible for the audit function. The program should provide for a fair lending audit independent of personnel associated with the loan underwriting function; and
21. Prior to opening for business, the Savings Bank must submit to the Regional Director for his review and nonobjection written policies and procedures for complying with the OTS Policy Statement on Privacy and Accuracy of Personal Customer Information.

By order of the Director of the Office of Thrift Supervision, or her designee, effective

April 20, 2001.



Scott M. Albinson
Managing Director
Office of Supervision